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FISCAL IMPACT STATEMENT

LS 7396

BILL NUMBER: HB 1303

NOTE PREPARED: Jan 10, 2013

BILL AMENDED:

SUBJECT: Collection of Amounts Owed to Local Units.

FIRST AUTHOR: Rep. Friend

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

The bill requires the Department of State Revenue to establish a pilot collection program (pilot program) allowing up to 10 cities, towns, counties, or townships to participate in a program assigning to the Department the collection of judgments and delinquent assessments due to those local units of government.

It provides that a delinquent assessment is any amount due and payable to a local unit that has remained unpaid for at least 30 days.

It permits the Department to carry out the pilot program by:

- (1) enforcing judgment warrants by levying against property or garnishing earnings;
- (2) using the data match system that the Department operates with each Indiana financial institution; and
- (3) employing special counsel or contracting with a collection agency.

The bill provides that in contracting with collection agencies, the Department shall give a preference to collection agencies that meet certain criteria.

The bill establishes procedures for issuance of demand notices and warrants, and it provides that a warrant becomes a judgment when recorded by the circuit court clerk.

The bill provides for various fees to be assessed by the Department with respect to the collection process.

The bill permits the Department to disclose all information relating to a judgment warrant subject to collection under the pilot program to a local unit of government participating in the program.

Effective Date: July 1, 2013.

Summary of NET State Impact: The bill will have indeterminate increased costs for the Department of State Revenue (DOR) to establish a pilot program to collect judgements and delinquent assessments on behalf of local units. Some of these costs may be offset with revenue from a collection fee equal to 10% of the amount due and from interest, penalties, sheriff's costs, and clerk's costs that the DOR may retain.

Explanation of State Expenditures: The increased costs to the DOR include, increased staffing for administration of the pilot program, oversight of special counsel or collection agencies contracted to carry out the program or carrying out the pilot project with its own workforce, and for information technology infrastructure for the data match system. The number of additional staff or contracts needed to implement the pilot program will depend on the local units selected to participate in the pilot program.

Background: Information Technology: An audit of the DOR's information technology found sufficient deficits that the DOR is currently making changes to its systems. Under the bill, certain data match information would be required of the DOR. The construction of this capability would have to be developed for the pilot program and may have to be repeated when the overall system is reestablished. The cost to incorporate this pilot this is indeterminable.

Collection of Delinquent Accounts: Currently, the DOR collects local income tax and other local taxes, such as excise tax, at the state level and has procedures for when these tax collections become delinquent in statute. The bill would allow the DOR to collect judgements and other delinquent local taxes on behalf of the local unit.

The delinquent collection process for local taxes and judgements in the bill has many similar provisions to those in existing statute for income tax collection.

Explanation of State Revenues: When a warrant is issued, a collection fee that is 10% of the total amount due may be assessed by the DOR. The amount of additional revenue will depend on the amounts collected.

Under the bill, in addition to the collection fee, the DOR may assess interest, penalties, sheriff's costs, and clerk's costs, and a fee for special counsel or a collection agency. These fees may be retained by the state or the special counsel or collection agency.

Summary of NET Local Impact: The bill will have indeterminate fiscal impact on the 10 local units selected by the Commissioner to participate in the pilot program, depending on whether the DOR collects judgements and delinquent assessments more efficiently than the current mechanisms available to local units. All amounts collected, except for specified fees, are remitted to a local unit.

Explanation of Local Expenditures: Local units have various mechanisms, such as liens and court orders, to collect amounts due. To the extent that the local units maintain employees or contract for services to collect judgements and delinquent assessments and utilize these mechanisms, having the state undertake collections could decrease costs. However, any fees or interest that may be charged that offset the local unit's costs would instead go to the DOR or its contractor.

Explanation of Local Revenues: If the DOR is more efficient at collecting judgements and delinquent assessments, the local unit could receive more revenue.

State Agencies Affected: DOR.

Local Agencies Affected: Counties, cities, towns, and townships.

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